

Statement of Ron Durst
Mantorville, Minn.

before the
U.S. House Committee on Agriculture

July 22, 2006
Southwest Minnesota State University
Marshall, Minn.

I appreciate the committee's invitation for me to come here today and present my views on dairy in regards to the 2007 Farm Bill. My name is Ron Durst and I'm a dairy producer from Mantorville, Minnesota, and a member of the Associated Milk Producers Inc. (AMPI) Board of Directors, representing more than 4,000 member-owners.

My brothers Allen, Ken and I represent the third generation of Dursts to milk cows and till the land in Dodge County, located in southeast Minnesota. Through a three-way partnership we operate a 1,500-cow dairy and 2,800 acres of crop land, producing corn, alfalfa and canning crops.

Our dairy has grown significantly in the past 10 years. Growing with us is AMPI, the cooperative in which my family has been a stakeholder since 1978. With five manufacturing plants in Minnesota and a total of 13 across the Midwest, dairy farm families such as mine have made a long-term investment in our cooperative and the infrastructure of this industry.

Together, AMPI members produce more than 5 billion pounds of milk with sales annually exceeding \$1 billion. We market much of that milk in consumer-ready packaging, offering a complete line of dairy products to the retail, food service and food ingredient markets. We believe that by building and operating modern production and manufacturing facilities, using current technology and benefiting from economies of scale, we can compete with the very best throughout the nation.

But as members of this Committee, you understand the challenges faced by Upper Midwest dairy producers who want to maintain and build this industry's infrastructure. There are fewer cows, fewer dairy producers and fewer manufacturing plants. That's a big deal in a region that's historically been the heart of the dairy industry.

Dairy is a critical industry here and we must reverse an overall negative trend. Though it's a complex challenge, sound dairy policies are a first step. Today I'm going to share two policies that will encourage producers to invest in their farms and dairy cooperatives.

Let's begin with a policy that encourages producers to invest in their farms—establishing a strong dairy price safety net. Establishing that safety net is, in fact, AMPI's top dairy policy priority for the 2007 Farm Bill. Let me share four ways to strengthen the existing program.

First, we must increase the support price. The current \$9.90 support price is inadequate, unchanged since the 1980s.

Second, we must make the support price system work as Congress intended. The USDA's Commodity Credit Corporation (CCC) must increase the milk price equivalent it is paying to remove dairy products from the open market. Because of increased manufacturing costs, the current manufacturing make allowance in the support program yields about \$1 dollar less than Congress intended when enacting the support program. The USDA is not supporting us at \$9.90.

Third, we must provide a countercyclical payment. The dairy price support program alone is inadequate. AMPI and the Midwest Dairy Coalition believe a payment such as the Milk Income Loss Contract (MILC) must be coupled with the dairy price support program to strengthen the safety net. Producer eligibility, payment limitations and production caps under this program, however, should be reexamined. The MILC guidelines should be similar to those developed for the grain programs. For example, under the grain program my brothers and I are considered to be three separate entities. Under the dairy program, we're one. This penalizes us for working together as a family unit.

Finally, we must manage imported dairy products to make price supports effective. Products such as butter, cheese and milk powder have been subject to tariffs for as long as we've had price supports. The problem is dairy proteins, which are entering the United States through trade loopholes, are displacing domestically produced milk. AMPI has worked closely with the Midwest Dairy Coalition and the National Milk Producers Federation to close these loopholes through legislative action. The CCC should not be buying the world's milk surplus under our dairy price support system.

As you consider the four points, know that I and other dairy producers like me are willing to walk the economic tightrope this profession demands. We simply cannot operate without a safety net.

As an Upper Midwest dairy producer I do not expect special treatment, just fair treatment. If we're going to compete on our farms and in the marketplace, dairy producers from all parts of the country must walk the same tightrope. Right now we're not.

Just as the USDA is not adequately administering the dairy price support program, it is not responding to our plea for updated manufacturing make allowances in the federal milk market order system. This lack of administration puts all producers whose milk is used for manufacturing—that's nearly the entire Midwest dairy industry—at a disadvantage. Let me explain.

The current make allowances are based on industry manufacturing cost data from the late 1990s. If the costs of making such products as cheese and butter are not accurately reflected in the federal order system, dairy farmers and their manufacturing plants are at risk. With more than 85 percent of this regions' manufacturing infrastructure owned by dairy farmers, this has widespread implications.

AMPI was one of several cooperatives that requested the January 2006 hearing to review make allowances in the federal order Class III and IV formulas.

Testimony presented at the hearing overwhelmingly supported the need for emergency action on this issue. The USDA, however, recently announced plans to reconvene the public hearing sometime after September 2006 in order to collect more data.

Given the complexity of this subject, this timetable will not allow for the implementation of a new make allowance until well into 2007. Such a delay will have a negative, long-term effect on the Midwest dairy industry. The pace at which we lose farmers and plants will quicken.

We ask you to urge USDA to immediately adopt, on an interim basis, updated make allowances based on the data submitted at the January 2006 hearing. This is not an extraordinary request as the USDA has frequently implemented milk order amendments on an interim basis.

As a dairy farmer and cooperative member, the points I've raised today are tightly intertwined. Both involve asking the USDA to update manufacturing make allowances that will make the dairy price support program and federal order system more realistic and effective. I hope this hearing will be a significant step in engaging policy makers and industry stakeholders in a discussion focused on these important issues.

Our dairy legacy should include crafting policies that enable the Midwest dairy infrastructure to grow, to allow a fourth generation of Dursts to operate a dairy in Dodge County if they so choose. The challenge will be transforming our words into ideas and action.

I want to thank the Committee for having this series of field hearings. I will be happy to answer questions and provide the additional information you might want.